



Australian National
Retailers Association

MEDIA RELEASE

ANRA is the voice of Australia's leading retailers

Tuesday, 2 March 2010

Discounting pays off during the celebration season

- ***Reserve Bank's decision to lift rates not unexpected, however rates should not be lifted too hastily***

The Reserve Bank's decision to lift rates is not unexpected, following on from stronger than expected retail figures in the clearance month of January, the Australian National Retailers Association said today. Retail sales lifted 1.2 per cent in January.

"Strong jobs growth combined with bargain prices gave consumers the confidence they needed to go shopping in January," ANRA CEO Margy Osmond said. "However, this monthly figure should be taken with a grain of salt. In the 12 months to January, retail sales are up just three per cent, just half the average growth considered to be healthy.

"Retail turnover has been patchy over the last six months as the impact of the stimulus has faded, but jobs growth and bargain prices have led to these stronger than expected January figures."

The Australian Bureau of Statistics reports that nearly 200,000 new jobs have been created in the last five months and this may have buoyed spending behaviour in January.

However, ANRA warned against lifting interest rates too quickly. From July this year, retailers will need to absorb significant wage increases due to the government's award modernisation process.

"ANRA estimates that allowing for transitional arrangements, changes to Sunday penalty rates on permanent employees alone will cost the sector \$19 million on 1 July. The minimum wage review will also create further uncertainty for retailers as employers, and will apply wage pressure to the bottom line, especially for smaller retailers."

"There are still a few global risks that could upend the apple cart. The US economy is failing to generate any new jobs at present, debt concerns hover over some European nations, while China's recent strong growth has in part been stimulus driven and could encounter some hiccups."

In seasonally adjusted terms, department stores enjoyed the strongest growth up 7.2 per cent, food retailing was up 1.3 per cent, household goods up 0.6 per cent, clothing and footwear up 2.9 per cent while cafes and restaurants suffered a 3.1 per cent drop.

South Australia and Western Australia both steamed ahead (up 3.7 per cent and 2.6 per cent respectively), followed by Victoria up 1.5 per cent, the ACT up 0.8 per cent, Queensland up 0.7 per cent, the Northern Territory up 0.6 per cent. NSW was up 0.4 per cent and Tasmania was unchanged.

"The Federal Government's cash handouts have paid off and it's appears that Australia may still be the lucky country," Margy Osmond said. "By comparison, US retailers report sales increased just 0.5 per cent in January, while UK retailers report sales growth in January was the worst since 2005."

Media inquiries:
Liz Rodway
0417 817 970
lrodway@anra.com.au
www.anra.com.au